

Canadian Economy: Situation and Outlook

Canada's current economic situation, like that of most countries, reflects the effect of the international economic and financial turmoil of 1998. The economic crisis that originated in Asia and spread to other regions, including Russia and Latin America, was felt around the globe.

Canada Weathered the Global Storm

For Canada, deteriorating global economic conditions resulted in weak demand and falling prices for commodity-based exports. The strength of demand from the United States and Europe, however, helped to cushion the impact of the Asian slowdown. Although Canada's economic growth moderated to three per cent in 1998, down from 3.8 per cent in 1997, overall, the Canadian economy put in a solid performance in 1998.

In the first part of 1998, the economy showed strong growth as a result of the momentum from the preceding year and half. Growth slowed however, in the middle two quarters of the year, due to weakening global demand, falling commodity prices and temporary labour disruptions. Then, in late 1998, growth rebounded, buoyed by the continued strength of the U.S. economy. Indicators suggest that this strength has carried over into the first quarter of 1999.

Job creation accelerated in 1998, despite moderate economic growth. More than 450,000 jobs were created in 1998, the strongest annual increase since 1987. Since October 1993, 1.6 million jobs have been created — largely full time in the private sector. In 1993, the unemployment rate stood at 11.2 per cent; in March 1999, it was 7.8 per cent — its lowest level in over eight years. The unemployment rate rose modestly in April as improved job opportunities encouraged a large influx of Canadians into the labour market.

Consumer and Business Confidence

Sharp reductions in government deficits and strong declines in interest rates boosted consumer and business confidence in 1997. However, confidence declined by the third quarter of 1998 due to the financial market turmoil and falling commodity prices. Since then, confidence has improved, reflecting increased stability in the world economy and Canada's success in dealing with the crisis.